

Message Text

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E.O. 11652: GDS

TAGS: ECON, NATO

REF: (A) NATO 5712 (B) NATO 5859

SUBJ: ECONAD: RECENT ECONOMIC DEVELOPMENTS IN USSR AND
EASTERN EUROPE (ED/EC/73/113)

1. REF DOC IS BOTH COMPREHENSIVE AND COMPETENT SUMMARY OF
ECONOMIC DEVELOPMENTS IN USSR AND EE. FOLLOWING ARE COM-
MENTS/CHANGES WE WOULD LIKE TO SEE REFLECTED IN REVISED
TEXT IF POSSIBLE:

(A) TEXT PARA 1: IT IS SAFE TO CHANGE "SOME SPEED-UP...
SEEMS LIKELY IN 1973" TO "HAS TAKEN PLACE."

(B) SAME PARA: CRUDE OIL PLAN FOR 1973 ORIGINALLY 8.7
PERCENT, REDUCED TO 7.5 PERCENT. FULFILLMENT APPARENTLY
6.6 PERCENT. GIVEN CONDITIONS IN SOVIET FUEL INDUSTRIES,
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EVEN REDUCED TARGET WAS UNREALISTIC. BETTER DEAL WITH THIS

IMPORTANT TOPIC IN PARA 6.

(C) SAME PARA: WEATHER WAS GOOD BUT NOT "UNUSUALLY FAVORABLE". IT WAS WET; MOISTURE SWELLED CROP STATISTICS. ADD AFTER "RESPITE:" "DUE TO THE AGRICULTURAL COMEBACK".

(D) PARA 2: ADD -NEVERTHELESS, THE SOVIET BLOC CONTINUES TO STAND OUTSIDE THE MAINSTREAM OF THE WORLD ECONOMY, PREFERRING ITS OWN INSTITUTIONS AND POLICIES TO THE PRACTICES OF THE WEST".

(E) PARA 3: ADD AT THE END "ON THE WHOLE TERMS OF TRADE APPEAR TO BE MOVING TO ADVANTAGE OF SOVIET BLOC."

(F) PARA 4 AND 5: GNP GROWTH IN 1973 PROBABLY CLOSE TO 7 PERCENT. WE ARE UNABLE TO FIND IN KIRILENKO SPEECH GROUNDS TO REDUCE GNP ESTIMATE TO 2 PERCENT. PLEASE CLARIFY.

(G) PARA 6: TEN MONTHS RISE FOR INDUSTRIAL GROWTH STILL A PRETTY FAST ONE.

(H) PARA 7: ROMANIA DOES NOT EXPECT A HARVEST QUITE AS GOOD AS LAST YEARS.

(I) PARA 8: WITH RESPECT TO HUNGARY, LABOR PRODUCTIVITY- WHICH ACCOUNTED FOR ALMOST THE ENTIRE GROWTH OF OUTPUT- HAS IMPROVED BY SOME 6 PERCENT, AN IMPRESSIVE PERFORMANCE. WHILE CENTRAL ECONOMIC CONTROLS HAVE BEEN STRENGTHENED, WE

DO NOT DETECT ANY DEMONSTRABLE LINK TO LABOR PRODUCTIVITY. THERE ALSO APPEARS TO BE A QUESTION WHETHER INFLATION WAS A PROBLEM. TWO PERCENT OF 3.6 PERCENT PRICE RISE WAS ATTRIBUTABLE TO ADMINISTRATIVE (I.E. CONTROLLED) PRICE INCREASES. ON THE WHOLE, WHILE PRICES IN THE FIRST SIX MONTHS MAY HAVE RISEN SOMEWHAT FASTER THAN PLANNED, THEY APPEAR TO HAVE REMAINED WITHIN THE ENVISAGED GUIDELINES.

(J) ADD TO PARA 8: "THE DIFFICULTY REMAINS TO CONTROL IMPORTED INFLATION IN A PLANNED ECONOMY WITH INTERNAL PRICES NOT RELATED TO COSTS."

(K) PARA 10: ADD TO SECOND SENTENCE, "ALTHOUGH AN IMPORTANT ELEMENT WAS NON-RECURRENT GRAIN IMPORTS".

(L) PARA 11: SUGGEST AVOIDING USE OF SOVIET PHRASE "SELF-LIQUIDATING" WHEN REFERRING TO COMPENSATORY BARTER TRANSACTIONS. THE USUAL MEANING OF SELF-LIQUIDATING IS ONE PAID FOR WITH MONEY OR CREDIT. USE OF THIS PHRASE IN LONG
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TERM BARTER TRANSACTIONS BEGS THE QUESTION THAT MONEY IS A MORE APPROPRIATE MEDIUM OF EXCHANGE.

(M) RE FOOTNOTE 1: SUGGEST DELETION OF REFERENCE TO ARTICLE BY MICHAEL KASER. PROJECTIONS IN THIS ARTICLE FULL OF HOLES, INCLUDING THE MISTAKE OF USING AN AMOUNT FOR THE OUTSTANDING USSR DEBT THAT IS TWICE THE ACTUAL AMOUNT FOR THE BASE PERIOD.

(N) PARA 13: THE EXPRESSION "TRIANGULAR DEAL" IMPLIES

AGREEMENT AMONG THE THREE PARTNERS. IMPORTING SOME GAS FROM FRANCE AND EXPORTING GAS TO WEST GERMANY IS NOT A "TRIANGULAR DEAL." BUT THE GAS TRADE MAY BECOME TRULY TRIANGULAR IN THE FUTURE.

(O) PARA 15: THE PROPOSAL FOR A NEW CEMA SUPRANATIONAL ORGANIZATION TO COORDINATE EAST-WEST TRADE WAS MADE BY HUNGARY.

(P) PARA 16: POLISH ORDERS FOR WESTERN EQUIPMENT PLACED THROUGH SEPTEMBER TOTAL OVER \$500 MILLION, INCLUDING OVER \$100 MILLION FOR MEAT PROCESSING. KISSINGER

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